United Nations A/C.2/57/SR.9

General Assembly

Fifty-seventh session

Official Records

Distr.: General
1 November 2002

Original: English

Second Committee

Summary record of the 9th meeting

Held at Headquarters, New York, on Tuesday, 3 October at 3 p.m.

Chairman:	Mr. Suazo	(Honduras)
later:	Mr. Benmellouk (Vice-Chairman)	(Morocco)
later:	Mr. Van der Pluijm (Vice-Chairman)	(Belgium)
later:	Mr. Benmellouk (Vice-Chairman)	(Morocco)

Contents

Agenda item 84: Macroeconomic policy questions (*continued*)

(b) Commodities (*continued*)

(d) External debt crisis and development (*continued*)

(e) International financial system and development (*continued*)

(f) Preparations for the International Ministerial Meeting on Transit Transport Cooperation (*continued*)

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

02-61787 (E)

The meeting was called to order at 3.10 p.m.

Agenda item 84: Macroeconomic policy questions (*continued*)

(b) Commodities (*continued*) (A/57/381)

(d) External debt crisis and development (*continued*) (A/57/253)

(e) International financial system and development (*continued*) (A/57/151)

(f) Preparations for the International Ministerial Meeting on Transit Transport Cooperation (*continued*) (A/57/340)

1. **The Chairman** drew attention to the informal summary that had been prepared of the general debate; it could serve both as a record of what had transpired during the general debate and as a possible guideline for the preparation of draft proposals.

2. **Mr. Vallenilla** (Venezuela), speaking on behalf of the Group of 77 and China, requested that the Committee should postpone the deadline for submission of draft proposals under sub-items 84 (b), (d), (e) and (f).

3. *It was so decided.*

4. **Ms. Forde** (Barbados), speaking on behalf of the Caribbean Community (CARICOM), expressed regret at the fact that the Monterrey Consensus had not gone far enough in its proposal to reform the existing international financial system. Instead, it had reinforced the legitimacy of a global economic regime that had failed to predict, prevent or manage any major international financial crisis. In that regard, she reiterated her delegation's proposal at Monterrey for the creation of a rules-based world financial authority, which would primarily supervise the complex global capital and financial markets and promote a stable and transparent international financial system. A global cooperative and collaborative approach to cross-border tax matters must also be accorded a similar level of urgency. CARICOM States continued to advocate the establishment of an international tax organization to oversee such matters, rather than relegating authority to limited membership organizations.

5. In the current global economic environment, where there was increased scrutiny of offshore financial centres, there was an even greater need to ensure that issues falling under international taxation were dealt with through an inclusive approach. All States with a framework for mutual participation on deliberating international tax policy would be included. However, that opportunity might continue to be unavailable while a few States within the international community sought to impose their rule on others through exclusive reforms.

6. Most importantly, there was a need for mechanisms to ensure that principles governing international standards and rules for the international financial system should be clearly defined and mutually agreed. Such principles should be advanced through a non-discriminatory and transparent process that allowed each and every country to participate and contribute. In that regard, developing countries must also be involved in the formulation and implementation of standards and codes devised for crisis prevention and management with global implications. Cooperation at the global level was key to strengthening the international monetary, financial and trading systems and to promoting economic growth and true economic cooperation and development.

7. *Mr. Benmellouk (Morocco), Vice-Chairman, took the Chair.*

8. **Ms. Lewis** (International Labour Organization) said that the liberalization of the world economy had not proved to be the panacea that developing countries had been led to believe. Indeed, the depth and severity of the socio-economic damage caused in recent decades in those countries had led to growing disillusionment with the simplicities of a free market ideology. Her organization endorsed the view that the main requirement for the integration of macroeconomic and social policies was the recognition and adoption of integrated goals, which should involve commitment to the achievement of both economic and social targets. In order to achieve equitable human development it was necessary to attain the highest sustainable level of employment-intensive economic growth. Indeed, the primary objective of a country's macroeconomic policy should be to achieve such economic growth rates with the ability to respond flexibly to changing circumstances.

9. Growing financial interdependence had reduced the policy autonomy of countries that had liberalized their financial systems. Monetary policy had to be kept tighter to cope with capital account volatility; that often led to increased interest rates, which constrained economic development and employment growth. Fiscal policies were also kept more restrictive, constraining desperately needed improvements in human services in some high, and in all middle- and low-income countries. Reforming the international financial architecture was therefore essential for the achievement of social goals. Promotion of employment must become the highest priority for national and international economic and social policy, as it could do more than any other economic or social achievement to increase personal and national economic security and improve equity. However, the rate of growth of such employment was a political choice for individual governments to make.

10. The separation between economic and social policy decision-making at both the national and international levels was a further impediment that needed to be overcome. However, as testified by the recent IMF/World Bank Development Committee meetings, the social dimension appeared to be receiving increasing attention in global institutions dealing with finance. A new consensus was beginning to emerge that there was benefit in recognizing the integration of macroeconomic and social policies. Macroeconomic policies that did not improve the welfare of broad segments of society were increasingly viewed not only as morally unacceptable, but also as economically unsustainable.

11. **Mr. Farhâdi** (Afghanistan) said that the historic importance of the upcoming International Ministerial Meeting on Transit Transport Cooperation could not be overemphasized. Afghanistan was a classic example of a landlocked country with constant transit infrastructure problems. He hoped that the Meeting would be action-oriented, and that donor countries would come prepared with the political will to provide assistance to the landlocked countries. In that regard, agencies of the United Nations system, regional commissions, the World Bank and the International Telecommunication Union could provide support for the preparatory process in their respective areas of expertise.

12. Noting that Afghanistan and other States members of the Economic Cooperation Organization had signed a regional transport cooperation agreement, he said that his country was in dire need of international funding for the development of transport infrastructure, since armed conflict in the 1980s had destroyed the country's road network. In that regard, Japan, Saudi Arabia and the United States of America had offered funding to build a road from Kabul to Khandahar, a vital east-west trade route. However, more funding was needed for north-south road development and the Government was accordingly drawing up a list of repairs required on the current north-south routes. For the Asian continent, the roads traversing Afghanistan were vital. He therefore hoped that donors would present an optimistic common position at the upcoming Intergovernmental Preparatory Committee meeting in June 2003 in New York.

13. **Ms. Jarbussynova** (Kazakhstan) said that her Government had decided to host the International Ministerial Meeting on Transit Transport Cooperation not only because Kazakhstan was the furthest landlocked country from the sea, but also because her Government wanted to share its experience in managing problems related to territorial remoteness in the Central Asian region with other countries. The Special Programme for Economies of Central Asia (SPECA), developed by the Economic Commission for Europe (ECE) and the Economic and Social Commission for Asia and the Pacific (ESCAP), in cooperation with Central Asian Governments, encompassed all priority areas relating to the development of transit transport capacity and multiple-pipeline systems. Its current activities could serve as an example of appropriate regional cooperation among landlocked countries. In that regard, she expressed support for regional transit transport initiatives involving landlocked countries, such as the Baku Declaration on the Transport Corridor Europe-Caucasus-Asia Programme (TRACECA).

14. The success of the International Ministerial Meeting would depend on the ability of the preparatory process to promote active participation in decision-making for all stakeholders; meaningful involvement of the private sector; mobilization of additional resources; and well-coordinated organization of subregional and regional meetings. In that regard, she expressed appreciation for the initial steps undertaken by the High Representative for the Least Developed Countries, Landlocked Developing Countries and

Small Island Developing Countries to initiate consultations among key stakeholders such as the European Commission, the Government of Japan, the secretariats of ECE, ESCAP and the United Nations Conference on Trade and Development (UNCTAD) on substantive and organizational aspects of the Ministerial Meeting. She reiterated the Secretary-General's appeal for all parties concerned to be actively involved in the preparatory process as well as in the Meeting and for Member States to contribute extrabudgetary resources, as called for by General Assembly resolution 56/180.

15. **Ms. Zubčević** (Croatia) said that policy coherence and the mobilization of all types of resources were essential in order to eradicate poverty and achieve sustainable development, but it was also vital that policy-making be domestically owned in order to be effectively implemented. A massive effort was required to build an international economic and trading system that was more conducive to the development of poor countries. Therefore, financial issues and trade and development cooperation must not be considered in isolation. Consistency between financial sector development and capital account openness at the country level was vital. Open trade, especially with developed country trading partners, was crucial to opening up finance, thus improving market access for developing countries. It was equally vital to avoid crises, strengthen surveillance of macroeconomic policies and lay the foundations for sustainable world economic development.

16. The international community's goal should thus be to work continuously at developing international standards and codes for macroeconomic policy-making and financial regulation. That should be accomplished by involving the countries concerned in designing those standards and ensuring adequate technical assistance to implement them. The new International Accounting Standard Board should strengthen accounting standards and give domestic accounting firms incentives to follow agreed professional standards, strengthen corporate governance and enhance corporate public disclosure as well as the quality and independence of monitoring of firms by investment advisers.

17. It was regrettable that the international financial system still lacked a coherent and realistic international strategy to deal with financial instability and the debt sustainability of developing countries. Therefore, in order to enhance the poverty reduction efforts undertaken by the countries, there should be greater flexibility in the eligibility criteria for debt relief for low, middle-income developing countries and countries with economies in transition.

18. A close link must be established between individual millennium development goals and their financing in order to improve effectiveness in dealing with real world problems such as hunger, illiteracy, poverty and diseases. To that end, a new dimension of common goals must be added to the relations with the Bretton Woods institutions and WTO in order to replace the globalization of enrichment on the one hand and impoverishment on the other by the globalization of development.

19. **Mr. Al-Haddad** (Yemen) stressed that debt continued to weigh heavily on the developing countries, stunting their growth and leading to social and political instability. The Monterrey Consensus and the Millennium Declaration should provide the political drive needed to solve debt burdens. The enhanced Heavily Indebted Poor Countries (HIPC) initiative, while a step in the right direction, was limited to only a few countries. Eligibility criteria should be applied with flexibility and more aid should be provided by the World Bank, the International Monetary Fund and the Paris Club.

20. The developing countries' debt problems could not be resolved without strong and sustainable economic growth; that, in turn, could not be achieved unless they received official development assistance (ODA). Countries that had pledged to provide such assistance ought to fulfil their commitment. He expressed the hope that the United States would provide the increased ODA that it had pledged over the next three years.

21. His delegation had examined the report of the Secretary-General on the international financial system and development (A/57/151) and considered the issue of net capital outflows from the developing countries to the developed ones as a great challenge. Developing countries' exports remained weak and the prices of their exports had declined because of the reduction in the prices of basic commodities and the distortions that occurred in international trade as a result of agricultural subsidies.

22. The Monterrey Conference had aimed to reform the international financial system and to reinforce

transparency. It was more important than ever that developing countries should participate in those endeavours and in drafting comprehensive economic policies and financial regulations on an equal footing with developed countries. His delegation therefore called upon the international community to implement the Monterrey Consensus so as to create a financial system conducive to sustainable development, stability and prosperity in the world.

23. **Mr. Singhara Na Ayudhaya** (Thailand) said that there was a need for coherence between trade and finance and a faithful implementation of the Monterrey Consensus. The concerted efforts by developing countries to monitor the volatility of short-term international capital flows should be further expanded with greater participation and cooperation by developed countries. The Association of Southeast Asian Nations, together with China, Japan and the Republic of Korea was currently looking into the feasibility of establishing a prototype for an early warning system. Such a regional arrangement, which was in keeping with the Monterrey Consensus, should be further intensified to help ensure financial stability. As far as the debt was concerned, an orderly international debt-workout mechanism was vital to maintaining financial stability and investor confidence. Debtors and creditors should share responsibility for crisis prevention and management. In his delegation's view, developing countries should be included in decision-making at IMF and the World Bank; both institutions needed an equitable voting system, irrespective of the financial contributions of members.

24. Turning to foreign direct investment, he expressed the hope that private financial flows, including FDI to the developing world, would increase substantially. His county would continue to adopt sound macroeconomic policies and to promote good governance to sustain direct investment. As far as commodities were concerned, the urgent need for improved market access, technical and financial assistance for meeting trade-related standards as well as technical assistance for improving the supply capacities of developing countries, could not be overemphasized.

25. Thailand would continue to create regional trade links. Trade routes were being constructed in the Mekong sub-region from Thailand through Laos and Vietnam. His delegation welcomed the preparations for the Ministerial Meeting on Transit Transport Cooperation and hoped that it would address the needs of both landlocked and transit developing countries.

26. **Mr. Adamia** (Georgia), speaking on behalf of the GUUAM participating States (Georgia, Uzbekistan, Ukraine, Azerbaijan and Moldova), said that the past year had been a landmark for the global development agenda. The determination of the international community, demonstrated at the Monterrey and Johannesburg summits, gave hope that with joint efforts the menaces of hunger, disease and poverty could be eradicated. Equally significant was follow-up to the commitments undertaken at such conferences and, in particular, the external debt problem.

27. The report of the Secretary-General entitled "External debt crisis and development" (A/57/253) paid due attention to the problem of debt servicing for the highly indebted nations but was less detailed on the significance of sustainable debt for the transition economies, particularly for the low-income transition economies, which required special consideration.

28. In 2001, Georgia's foreign debt as a proportion of gross domestic product had grown to 43 per cent, and the Government's debt servicing obligations had amounted to 15 per cent of total revenue; representing critical resources which could otherwise be spent on reducing poverty, providing social safety nets and investing in development. Georgia was working with its partners from the United Nations Development Programme, the International Monetary Fund and the World Bank on its poverty reduction programme and was very thankful for the support provided. However, the need remained for the elaboration of internationally agreed debt relief measures, including cancellation, taking into consideration the special needs of the transition economies. The international community should demonstrate flexibility in addressing that issue. He called for full implementation of the initiatives agreed during the World Summit on Sustainable Development, such as debt for sustainable development swaps.

29. One of the remaining difficulties in the area of debt relief was conditionality. He supported the Secretary-General's call to link performance criteria with poverty reduction targets or other concrete development-oriented spending, rather than simply following general adjustment programmes. There was no doubt that recipient countries should pursue prudent and sound macroeconomic policies, but it had been

recognized that any such strategy must take into account national specificities and conditions. For instance, in developing national poverty strategies, emphasis should be placed more on technical and knowledge-based assistance.

30. The GUUAM participating States welcomed initiatives which called for providing official financing in the form of grants, particularly for education, health, food, drinking water and other social and humanitarian areas. Many countries with economies in transition had undergone serious macroeconomic reforms but still found it very difficult to reach sustainable growth levels. There was a need to establish clear principles for the management and alleviation of the external debt crisis, principles which would provide for fair burden-sharing between creditors and debtors. The international community must recognize the special needs of the transition economies when it came to sustainability of external debt, particularly since the results of positive action in that direction could be almost immediate.

31. **Ms. Zhang** Xuai'an (China) said that there could be no one-size-fits-all approach to development financing. The views of recipient countries must be fully heeded and their needs better understood. There had been positive developments recently, but they were only a starting point. There was still a long way to go in improving the work of the international financial institutions.

32. There should be greater development ownership by developing countries. International institutions and donor countries must realize that the policies of privatization, liberalization and market-based reforms imposed on developing countries by international institutions were mostly unsuccessful. The latter must respect the specific situations of recipient countries, listen to their views and strengthen capacity-building in order for those countries to enjoy true ownership. The success of development policies could be measured only by the results of implementation.

33. The participation of developing countries in international economic decision-making and norm-setting should be broadened and strengthened. Her delegation hoped that the twelfth General Review of Quotas of the International Monetary Fund (IMF) would result in an increase in the Fund's resources and that the review of the formula used for calculating members' quotas would be completed as soon as possible to better reflect the reality of years of rapid development in the developing countries and their weight in the world economy. The recent rash of corporate scandals in some developed countries underscored the importance of enhanced standards and principles of corporate governance, accounting and auditing.

34. International financial stability must be strengthened in order to avert financial crises. International institutions should fully take into account the ability of recipient countries to ward off external shocks before asking them to open their capital accounts. Otherwise, more crises would occur.

35. Effective debt relief measures must be taken to help the developing countries, inter alia, through accelerated implementation of the Highly Indebted Poor Countries initiative and the developed countries must honour the commitments undertaken at Monterrey. A solution to the high debt levels of developing countries depended essentially upon the developed countries increasing financial and technology transfers, enhancing market access for developing countries and phasing out agricultural subsidies which distorted trade. Coherence and consistency were needed in international monetary, financial and trade assistance to create an equitable external economic environment for the developing countries so that they could embark upon a virtuous cycle of self-sustaining development.

36. **Mr. Pandit** (Nepal) said that the external debt crisis had contributed to the deterioration of the already weak social and economic situation in most developing countries. Many countries in sub-Saharan Africa still carried very high external debt burdens relative to their gross national product; debt-servicing absorbed much of their foreign exchange and reduced budgetary flexibility. Existing levels of official development assistance were not sufficient to enable the developing countries to attain the millennium development goals; reliable alternative sources for development financing must be found. The developing countries, particularly the least developed countries such as Nepal, were spending a quarter of their public purse on debt servicing, a level generally impossible to sustain; they had been doing so in order to remain credit-worthy. Immediate debt relief was essential to help poor countries to redirect their debt-tied resources towards poverty reduction and sustainable development.

37. So far, only 26 out of 42 eligible nations under the Highly Indebted Poor Countries initiative had qualified for interim relief. The poorest countries should not be asked to remain silent until their economies went into bankruptcy. Nepal therefore called for the expansion of the initiative to cover all the least developed countries. To avoid future debt the latter should also be given increased grant funding for their social sector projects and for poverty eradication. The external debt problem had been a major policy issue in Nepal over the years, and a poverty reduction strategy paper was being prepared. The Government was guided by a policy of accepting external support only for essential development sectors and for poverty eradication programmes. The Government had improved the accountability system for public expenditure, and strong anti-corruption measures had been enacted and actions initiated to check misappropriations and other corrupt practices.

38. Turning to the subject of preparations for the International Ministerial Meeting on Transit Transport Cooperation, he said that his delegation aligned itself with the statement by the representative of the Lao People's Democratic Republic on behalf of the Group of Landlocked Developing Countries. Some progress had been achieved in the area of transit transport, but the difficulties of the landlocked developing countries were far from over. Transit transport problems put them at a comparative disadvantage in global markets, making their integration with the global economy extremely difficult. Transport costs had always remained formidably high for landlocked countries. The landlocked developing countries were on average paying 17.7 per cent of their export earnings for transit transport, as opposed to 8.7 per cent for the other developing countries. That eroded the competitive capacity of the landlocked developing countries and inhibited growth and development. It was time to honour the commitments entered into at Monterrey by providing more official development assistance to landlocked developing countries, helping them attract more foreign direct investment and extending to them trade-related support to build national capacity and to improve their backward and forward linkages for expanding trade and development. It was alarming to note that in 2001 the landlocked developing countries received only $4.6 million in foreign direct investment, or 0.34 per cent of the global total. The international community should look into that issue and help those countries attract more foreign direct investment.

39. His delegation called on Member States to work together to ensure the success of the International Ministerial Conference on Transit Transport Cooperation and to help implement its outcome with resolve and commitment. His Government would do everything in its power in that regard.

40. **Mr. Davison** (United States of America) said that breaking the grip of poverty was the central challenge for the twenty-first century. The international community had begun the new millennium with ambitious development goals and commitment to achieve them. At Doha, Monterrey and Johannesburg, the world community had resolved to fight poverty by implementing proven development strategies which aimed to liberalize trade, increase agricultural productivity and improve debt management. The world community had come together again and again on a vision based on a new way of doing business. That vision involved a performance-based, results-oriented attack on poverty. All potential resources for development were to be unlocked and used. It had been recognized that governance, rule of law, investment in people and market access were central to development strategies. The international community had pledged its support and determination. The Committee must carry that determination forward by focusing on the agreements reached at Doha, Monterrey and Johannesburg. There was an agreed plan and time-bound, measurable targets. The Committee should closely track development objectives.

41. One of the most important aspects of the agreement reached at Doha concerned agricultural liberalization; his Government was firmly committed to the elimination of trade-distorting agricultural subsidies. The first and most effective step to address poverty and hunger was to raise agricultural productivity steadily and sustainably. His Government estimated that in Africa, meeting the goal of reducing absolute poverty by half by 2015 required an average growth rate in agricultural productivity on the order of 5 per cent per year. Good governance, sound policy, technology, investment and trade could yield such a result, but the effort must be sustained.

42. His Government strongly supported the full funding of the Highly Indebted Poor Countries initiative. New investment in development must not simply lead to a new accumulation of unsustainable debt burdens in the poorest countries; resources from debt relief must become available for development

purposes. The international community should not delude itself. Times were tough. The international economy showed signs of recovery but the hard work of development was a challenge to all.

43. The United Nations, and the Second Committee in particular, had made tremendously important contributions to developing a new and solid consensus on development. If real results were to be obtained, work on macroeconomic issues must develop, support and strengthen the implementation of that consensus. The agenda item on macroeconomic policy for development should be approached in an integrated manner, after delegations had had the opportunity to engage in full discussion of the issues. He expressed the hope that other delegations would agree.

44. **Mr. Rotich** (Kenya) expressed grave concern at the effect of fluctuations in commodity prices on most developing countries. The prices of agricultural commodities must be stabilized and he therefore looked forward to implementation of the outcome of WTO Ministerial Meeting at Doha regarding the phasing out of export subsidies and the elimination of tariff peaks, in particular on the exports of developing countries, and on market access for agricultural commodities from the developing countries.

45. He expressed concern at the effect on the developing countries, in particular in sub-Saharan Africa, of their heavy debt burden and recalled the commitments made at the Monterrey Conference regarding the Heavily Indebted Poor Countries (HIPC) debt initiative. He also called for greater flexibility in the eligibility criteria for debt relief measures for middle and low-income countries like Kenya. Slow progress in debt relief and the systematic decline in official development assistance to Africa had hindered sustainable development. The current rigid conditionalities attached to official development assistance must be made more flexible in order to better benefit the recipient countries. He therefore welcomed the new commitments announced by donor countries at Monterrey and called for those resources to be made available without conditionality and on a timely basis. The time had come to implement the decisions of major United Nations conferences which had addressed the above problems.

46. His delegation, too, was concerned that the international financial system did not have a coherent strategy to deal with financial instability, as shown by the recent experience in Argentina, which had demonstrated the vulnerability of developing economies to volatility in international financial markets. The Monterrey Consensus had emphasized the need for a set of principles for managing such crises and he was confident that inclusion of those principles in the Bretton Woods institutions' decision-making process would address some of the systemic issues with a view to reforming the international financial architecture.

47. The need to mobilize domestic resources to promote sustainable development had been recognized in the New Partnership for Africa's Development (NEPAD). Those efforts should be supported through genuine cooperation with development partners in order to eradicate poverty and promote economic growth. His delegation also attached great importance to the International Ministerial Meeting on Transit Transport Cooperation as a forum to enhance cooperation and resolve the problems affecting landlocked and transit developing countries. Such efforts would contribute to ensuring coherence and consistency in the international monetary, financial and trading system in support of sustainable development and help the marginalized developing countries reap the benefits of globalization.

48. *Mr. van der Pluijm (Belgium), Vice-Chairman, took the chair.*

49. **Mr. Djumala** (Indonesia) pointed out the need for improved cooperation for development and, most importantly, mobilization of domestic and international financial resources in accordance with the Monterrey Consensus. It was therefore a source of concern that the developing countries, for the fifth year in a row, had had a net outflow of financial resources. In order to remedy that situation the international community must substantially increase official development assistance and provide debt reduction for low income countries, as agreed in the Monterrey Consensus.

50. The Monterrey Consensus had also called for greater transparency and increased participation by developing countries in the international financial architecture, including standards and codes for policy-making, financial regulation and corporate governance, especially in developed countries, as well as cooperation on fighting corruption. The Consensus had sought to put in place clear principles for the management and resolution of financial crises which

provided for fair burden sharing and he stressed the need for the public and private sectors to play a role in preventing and resolving such crises.

51. His delegation attached great importance to the reform of surveillance and therefore welcomed the willingness of IMF to reform its surveillance policies and conditions for the use of Fund resources and was encouraged by its willingness to place stronger emphasis on assessing the global impact of the policies of individual countries, in particular the largest. Global surveillance should be combined with greater country surveillance with particular attention being paid to good corporate governance.

52. Turning to the debt crisis, while the external debt problem had improved slightly, the total debt burden of the developing countries and the transition economies was almost 40 per cent of national income and had reached crippling levels in Africa, seriously affecting development. Although the enhanced Heavily Indebted Poor Countries (HIPC) initiative had been effective for some countries, only 6 of the 26 eligible countries had reached the Completion Point by July 2002 and progress continued to be slow. The Bretton Woods institutions should show more flexibility in order to speed up the process and make it more meaningful.

53. It was necessary to explore new initiatives such as debt for sustainable development swaps and the cancellation of unsustainable debt. There was also great merit in utilization of Special Drawing Rights (SDRs) for development purposes, an approach which could be further explored as an innovative means for mobilizing sources of financing for development for the developing countries.

54. **Mr. Nteturuye** (Burundi) said that his delegation attached great importance to the forthcoming International Ministerial Meeting on Transit Transport Cooperation. The isolation of the landlocked countries hindered their development, with transport problems causing delays and increasing costs, making their exports less competitive and increasing the cost of imports. International cooperation was necessary to assist the landlocked countries in overcoming their handicap. Donor countries, transit countries, international financial institutions, the United Nations and the private sector must support the Ministerial Meeting and make firm commitments in that regard.

55. Cooperation between landlocked countries and neighbouring transit countries must be improved and customs procedures should be harmonized in the context of greater flexibility at the regional level. Economic embargoes used as a means of exerting political pressure should be banned because it was the most vulnerable sections of the population which suffered, not Governments. Furthermore, international assistance must be increased to help landlocked and transit countries to build and maintain effective infrastructures. Donors should therefore give priority to regional and subregional requests for financing for common infrastructure projects.

56. **Mr. Penjor** (Bhutan) said that it was looking forward to the forthcoming International Ministerial Meeting on Transit Transport Cooperation and welcomed the report of the Secretary-General (A/57/340), which had highlighted the specific problems of the landlocked countries, 16 of which were least developed countries, and the negative role that geography played in their economic development. Isolation affected their access to the international trading system and their situation was further aggravated by the high cost of transport insurance services, which were much higher than for the developed countries and were double that of other developing countries.

57. The landlocked developing countries could not compete in the international market without international support. The landlocked countries remained unattractive to foreign businesses and had received only 0.34 per cent of foreign direct investment in 2001. Increased official development assistance, in particular for the creation of transit infrastructures which were reliable, accessible and competitive, was vital to sustainable development.

58. *Mr. Benmellouk (Morocco), Vice-Chairman, resumed the Chair.*

59. **Mr. Al-Ayed** (Jordan) welcomed the report of the Secretary-General on the external debt crisis and development (A/57/253) and stressed the need for a radical solution to the external debt crisis, which seriously hindered the sustainable development of the developing countries. Although they had allocated their meagre resources to debt repayment instead of development needs, their debt burden had not fallen. They must be provided with debt relief, for they risked bankruptcy and grave social problems; in an increasingly interdependent globalized world, these would affect other countries as well. Efforts to realize

the objectives of the Millennium Summit must therefore include not only increased spending but also debt relief measures.

60. He expressed support for the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and also looked forward to the forthcoming International Ministerial Meeting on Transit Transport Cooperation as a forum for defining practical measures to improve the lot of the landlocked and transit countries.

61. **Mr. Mumbey-Wafula** (Uganda) expressed support for the forthcoming International Ministerial Conference on Transit Transport Cooperation, an important issue for Africa, since 16 out of the 38 landlocked developing countries were located in Africa and were commodity dependent, spending a large portion, at times 40 per cent, of export earnings on transport services. The high cost of transport for such countries was therefore one of the priorities of the New Partnership for Africa's Development (NEPAD).

62. Commodity trends and the external debt crisis were closely related. The decline in commodity prices had seriously affected Uganda's export earnings, greatly increasing its debt load. He therefore appreciated the detailed analysis of the decline in commodity prices given in document A/57/381 and stressed the need to boost export earnings and economic growth by reducing excessive dependency on primary commodities. That could be done through horizontal and vertical diversification and by adding more value to exports. Agricultural subsidies and other policies in the developed countries which blocked efforts to add value to developing country products and hindered access to developed country markets were a matter of grave concern, as was the lack of resources for structural economic changes to facilitate meaningful integration of the developing countries into the global economy. He therefore expressed support for the recommendations contained in the report and in the report of the Secretary-General on external debt crisis and development (A/57/253).

63. **Mr. Aparicio** (Bolivia) welcomed the report of the Secretary-General on the external debt crisis and development (A/57/253). With regard to the heavily indebted poor countries (HIPC) framework, he said that the 150 per cent threshold ratio of debt to exports was based on an unrealistic evaluation of the economies of those countries. He recalled that the Monterrey Conference had stated the need to keep under review the methods for calculating and the criteria for evaluating debt sustainability.

64. His delegation was of the opinion that the link between debt sustainability and trade, in other words, HIPC countries' access to developed country markets, should be taken into account, given that trade offered a real opportunity for generating foreign exchange revenues. That was even more important given that the countries in question had developed poverty reduction strategies which required resources for their implementation.

The meeting rose at 5.20 p.m.

United Nations A/C.2/57/SR.10

General Assembly
Fifty-seventh session

Official Records

Distr.: General
13 November 2002

Original: English

Second Committee

Summary record of the 10th meeting
Held at Headquarters, New York, on Monday, 14 October 2002, at 10 a.m.

Chairman: Mr. Suazo ..... (Honduras)

Contents

Agenda item 85: Sectoral policy questions

(a) Industrial development cooperation

(c) Preventing and combating corrupt practices and transfer of funds of illicit origin and returning such funds to the countries of origin

Introduction and general discussion

This record is subject to correction. Corrections should be sent under the signature of a member of the delegation concerned *within one week of the date of publication* to the Chief of the Official Records Editing Section, room DC2-750, 2 United Nations Plaza, and incorporated in a copy of the record.

Corrections will be issued after the end of the session, in a separate corrigendum for each Committee.

02-63646 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 85: Sectoral policy questions

(a) Industrial development cooperation (A/57/184)

(c) Preventing and combating corrupt practices and transfer of funds of illicit origin and returning such funds to the countries of origin (A/57/159 and A/57/159/Add.1)

Introduction and general discussion

1. **Ms. Freudenschuss-Reichl** (United Nations Industrial Development Organization), introducing the report of the United Nations Industrial Development Organization (UNIDO) in document A/57/184, noted that there had been a positive trend in UNIDO performance and delivery of technical cooperation programmes, which in 2001 had reached a level of approximately $85 million. UNIDO had also achieved greater financial stability, given that the collection rate of assessed contributions for 2001 stood at about 92 per cent. With the accession of South Africa, membership of the Organization totalled 169 countries.

2. At the last General Conference, the members of UNIDO had endorsed the process of transformation and stability by re-electing Mr. Carlos Magariños for a second term as Director-General. The revitalization of the role, functions and performance of the organization had been possible because its mandate focused on the dynamic role of industrial growth in the development process and value added created in the process of manufacturing. In the era of globalization, the dynamic and creative role of industry in capacity-building, employment and income generation needed to be re-emphasized.

3. UNIDO had a dual function as a global forum and a technical cooperation partner for developing countries and countries in transition. It enjoyed a comparative advantage in a selected number of technical fields associated with its renewed mandate and the implementation of the international protocols in the area of environment. Following the recent world conferences — in particular, the Millennium Summit, the Third United Nations Conference on the Least Developed Countries, the International Conference on Financing for Development and the World Summit on Sustainable Development, in which UNIDO had actively participated — new opportunities for UNIDO services had been identified.

4. UNIDO remained committed to carrying out its role as a central coordinating body within the United Nations system for providing effective support for sustainable industrial development. It was endeavouring actively to strengthen its cooperation with the rest of the United Nations, as mandated by its Constitution and various General Assembly resolutions. The Director-General of UNIDO had chaired the High-level Committee on Programmes during 2001 and 2002. In 2002, UNIDO had joined the United Nations Development Group (UNDG) and was participating actively in its activities; it was also cooperating closely in the implementation of the Millennium development goals. In addition, it was working to enhance inter-agency cooperation with the United Nations Conference on Trade and Development (UNCTAD) and the World Trade Organization (WTO) on trade facilitation, with the United Nations Environment Programme (UNEP) and the International Labour Organization (ILO), and with the regional economic commissions, the Department of Economic and Social Affairs and regional groupings in Africa and other regions.

5. Drawing attention to the conclusions and recommendations outlined in section X of the report, she stressed that UNIDO would appreciate receiving feedback through the debate in the Second Committee and through the decisions of Member States as they would be expressed in a resolution on the topic.

6. **Ms. Hrbkova** (United Nations Centre for International Crime Prevention, United Nations Office for Drug Control and Crime Prevention) introduced the report of the Secretary-General on prevention of corrupt practices and transfer of funds of illicit origin (A/57/158 and Add.1 and Add.2). She noted that the report included a summary of the wide range of measures and initiatives undertaken by Member States as well as by relevant entities of the United Nations system and other intergovernmental organizations to combat and prevent the scourge of corruption and the transfer of funds of illicit origin. The measures undertaken by Member States included harmonizing national legislation with the standards set by international legal instruments, strengthening existing or adopting new legislation against corruption and money-laundering, setting up special units or institutions to fight corruption, establishing financial

units, developing national anti-corruption programmes and strengthening international legal assistance.

7. The report had also been considered recently by the Third Committee during its discussion on crime prevention and criminal justice. On that occasion, several Member States had welcomed the new initiative of the international community to equip the world with a comprehensive and effective international legal instrument to fight corruption and had expressed their support for the work being done by the Ad Hoc Committee for the Negotiation of a Convention against Corruption. Appreciation had been expressed for the comprehensive and balanced approach between prevention and law enforcement contained in the draft text. Various delegations had stressed the importance, especially for developing countries, of including in the new convention effective mechanisms for preventing and combating the transfer of funds of illicit origin, as well as for recovering them.

8. In accordance with General Assembly resolution 55/188, the issue of preventing and combating the transfer of funds of illicit origin and the return of such funds was covered by the draft text of the convention against corruption currently under negotiation in Vienna. The second reading of chapter V would be undertaken at the fourth session of the Ad Hoc Committee, to be held in January 2003.

9. A one-day technical workshop on asset recovery had been held on 21 June 2002, during the second session of the Ad Hoc Committee, with a view to providing interested delegations with technical information and specialized knowledge on the complex issues involved in asset recovery.

10. The Third Committee had decided to submit to the General Assembly two draft resolutions, one on the high-level political conference for the purpose of signing the United Nations convention against corruption (A/C.3/57/L.3) and one on strengthening the United Nations Crime Prevention and Criminal Justice Programme, in particular its technical cooperation capacity (A/C.3/57/L.10).

11. **Mr. Carpio** (Venezuela), speaking on behalf of the Group of 77 and China, said that although globalization was fundamental to economic and social development, it also entailed risks for countries that were not in a position to compete on the world market. Industrialization was an integral part of globalization and was one of the most dynamic factors in the acceleration of economic growth and social development. The Group of 77 and China wished to stress the importance of strengthening production capacity as a prerequisite for overcoming the limitations faced by the developing countries. Industrial development promoted technology transfer and economic growth, opened up market opportunities, attracted investment, created infrastructure and increased the participation of the private sector in promoting development. UNIDO and UNCTAD had pointed to the need for developing countries to gear their economies towards manufacturing, but international cooperation was essential to achieving that goal. Traditional cooperation policies must be revamped with a view to promoting the development of a sound industrial park, and small and medium-sized enterprises must be strengthened and made more competitive. That could be achieved only by creating the necessary environment for the industries of the developing world to penetrate the global economy and enjoy the benefits of true trade liberalization.

12. The Group of 77 and China also attached great importance to the issue of preventing and combating corrupt practices and transfer of funds of illicit origin and returning such funds to the countries of origin. Good governance and strong democratic institutions were important, and it was gratifying to note that a number of countries had adopted policies and measures in that regard. He also welcomed the response of the United Nations system, not only through the activities of the Centre for International Crime Prevention but also through the International Conference on Financing for Development, which had stressed the need to fight corruption at every level.

13. **Mrs. Szczepanski** (Denmark), speaking on behalf of the European Union, the countries of Central and Eastern Europe associated with the European Union (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia) and the associated countries Cyprus, Malta and Turkey, expressed the satisfaction of those countries at the results of the reform process undertaken by UNIDO during the last five years. Given the relatively small size of UNIDO, the European Union believed that it was important for it to achieve an even tighter focus of its activities. They also attached great importance to the adoption of the integrated programme approach and redesign of the organization's service modules with a view to

strengthening its contribution to the development targets set out in the Millennium Declaration. A reformed UNIDO must be able to effectively support industrial development in a manner conducive to poverty eradication and sustainable development. It should also strengthen its efforts to form partnerships with the private sector.

14. Given the accelerated pace of globalization, UNIDO should work to ensure that all countries received a fair share of the benefits of economic globalization while at the same time pursuing environmentally sound policies of industrial development. The organization should focus on interventions where it had clear comparative advantages within the framework of its existing mandate. It should pursue activities targeted at strengthening the industrial capacities of developing countries, including capacities to engage in international trade. It was important to help developing countries overcome supply-side constraints in order to enable them to fully profit from trade liberalization, in line with the Doha Development Agenda. In Monterrey, the European Union had also recognized the importance of capacity-building, including productive capacity-building. In that regard, they welcomed the fact that UNIDO was planning to concentrate its activities more on the least developed countries, particularly in Africa.

15. Where appropriate, UNIDO should study further the feasibility of undertaking regional programmes. In addition, it should continue to define the proper role of the field offices so as to ensure that they played an effective role in the implementation of operational activities. The European Union wished to stress the need for coordination among United Nations agencies, funds and programmes.

16. **Mr. Talbot** (Guyana), speaking on behalf of the Caribbean Community (CARICOM), said that CARICOM fully associated itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

17. Industrial development was an integral part of the process of transformation and development of the small, open economies of the CARICOM countries. Governments in the region had comprehensive strategies to meet the challenges of productivity, emphasizing macroeconomic stability and incentives for private-sector development and innovation in order to facilitate growth and employment. Many had also made significant investments in physical infrastructure and human resources development to enhance economic performance and productivity. Many developing countries had taken the necessary steps to join the international trading system but had found that conditions within it constrained their prospects for development and that they faced unfavourable or deteriorating terms of trade caused mainly by the subsidies of industrialized countries. Lack of market access in those countries also hampered developing countries' growth even where they had been able to diversify into manufactures. Globalization was passing them by.

18. The industrial development prospects of the small developing economies of the Caribbean were constrained by their limited markets and administrative and institutional structures and resources. Furthermore, their small size made them unable to exploit economies of scale. They had nevertheless made great efforts to improve their capacity to adjust to changing development conditions. The outlay needed to achieve that was enormous: some estimates had put the cost of the structural changes needed to maintain competitiveness at over $20 billion per year.

19. To meet those requirements, the countries of CARICOM would continue to need international support and substantial foreign direct investment, not only in the traditional form of transfers of new technology, but also in the form of new management techniques, new kinds of enterprise links and relations between industry and science, and greater flows of information within their economies. The gaps in their resources should be filled by assistance from agencies such as the United Nations Development Programme (UNDP), UNIDO and UNCTAD, in forms including innovative partnerships. The existing contribution of UNIDO was welcome.

20. The member States of CARICOM reiterated their support for efforts to combat corrupt practices and the transfer of funds of illicit origin, and supported the commitment made under the Monterrey Consensus to negotiate a United Nations convention against corruption in all its aspects. Developing countries needed to be actively involved in that convention as well as in discussions regarding international cooperation in tax matters; many CARICOM countries depended heavily on their financial services sectors.

21. CARICOM called on the international community to ensure that the approach adopted was comprehensive and transparent and involved accountability (particularly in connection with money-laundering), with mutually agreed principles and wide participation in the decision-making process. CARICOM remained committed to working with international development and financial institutions to create a sound and transparent international framework of financial codes and standards.

22. **Mr. Hassan** (Pakistan) said that his delegation wished to associate itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

23. Technology and industry were increasing world prosperity, achieving development and combating marginalization. They were a source of economic growth, entrepreneurship, employment opportunities and a foundation for the expansion of both agriculture and services.

24. Although industrialization was essential to achieving the goals of development, many developing countries had been unable to follow that path. Their industries were threatened by a skewed liberalization of trade, in which exports to developed countries had to contend with non-tariff barriers in the guise of high standards, and their domestic competitiveness was harmed by imports from developed countries.

25. The challenge was to create an environment which accelerated industrial development in those marginalized countries; that would require action at the national and international levels. The contributions of UNIDO were significant but would have more impact if the overall international policy framework encouraged wide distribution of foreign direct investment, flows of private finance, market access, external debt relief and greater development finance to promote capacity-building and development of human resources. Industrial development cooperation should be addressed as part of a wider debate on international development cooperation, to promote development in the context of globalization.

26. Corruption, including the problem of the transfer of funds of illicit origin, threatened the peace and prosperity of societies everywhere, afflicting both developed and developing countries. The degree and impact of corruption varied, however, and in the case of developing countries it drained their already meagre resources and caused further impoverishment and indebtedness.

27. Action was needed at the national and international levels. At the national level, efforts should pursue transparency, accountability, effective implementation of the rule of law, regulation of financial systems and establishment of independent oversight bodies. At the international level, they should eliminate safe havens (in forms such as offshore jurisdictions, secret bank accounts and privacy provisions), prevent the exploitation of corruption to gain international business, and complement developing countries' own efforts to repatriate funds of illicit origin and prosecute those responsible for corrupt practices. Efforts at the national level required support at the regional and international levels.

28. Pakistan had taken steps to fight corruption but faced many problems, primarily foreign States' cumbersome and time-consuming judicial requirements and the lack of any comprehensive international instrument. For that reason, Pakistan supported the early finalization of a United Nations convention against corruption, which should cover elimination of safe havens, international cooperation and legal assistance to investigate and prosecute corruption-related offences and to trace, recover and repatriate the proceeds of corruption, and issues relating to the disclosure of information, integrity in political life and corporate governance.

29. The investigations into the financing of the terrorist acts leading to the events of 11 September 2001 had illustrated how criminal elements had exploited the international financial system for terrorist purposes without the knowledge of the international financial system. It was thus essential to prevent the concealment of illegal funds, promote the disclosure of illicitly acquired wealth and prevent the movement of funds to finance criminal activity.

30. Pakistan favoured a multilateral mechanism to monitor the application of the United Nations convention against corruption, in which obligations were clearly defined.

31. **Mr. Stanislavov** (Russian Federation) said that the Russian Federation attached great importance to wider international cooperation in combating and eradicating corruption and the laundering and illicit transfer of funds abroad. It supported the development of an international legal basis to regulate the

repatriation of funds obtained through corruption and illicitly transferred; that legal basis should be explored within the framework of the Ad Hoc Committee for the Negotiation of a Convention against Corruption. The issue was all the more topical because of the role of criminal activity in financing international terrorism.

32. The Centre for International Crime Prevention had made a significant contribution through its workshop on the repatriation of funds, and its consideration of the problem of transfers of funds of illicit origin (especially those derived from corrupt practices) and their effect on economic, social and political development, especially that of developing countries. Those issues should be examined by the Ad Hoc Committee.

33. The Russian Federation had taken practical and legislative measures to combat corruption. It had passed an act on preventing the laundering of proceeds of crime and a presidential decree on a code of conduct for civil servants. An anti-corruption bill was before the Duma, and a national programme and plan of action against corruption were being developed. It had ratified the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime of 8 November 1990 and had signed the Council of Europe Criminal Law Convention on Corruption. The practical effect of those steps had been the recognition by the Financial Action Task Force (FATF) that the Russian Federation had made great strides in combating money-laundering, the country's removal from the blacklist of non-cooperative countries and territories, and its being invited to attend the February 2003 meeting of FATF as an observer. The Russian Federation saw that invitation as a first step towards joining the Task Force.

34. Through the reforms it had carried out, UNIDO had consolidated its role as the leading specialized agency dealing with industrial modernization in accordance with the principles of sustainable development, and as a global forum for national, regional and international policy-making in industrial development. The greatest change had been the introduction of integrated programmes focusing closely on the needs of their recipients. The Russian Federation called for UNIDO to retain its universal mandate, and for more effective action in important areas such as promotion of foreign investment, of cleaner production, introduction of internationally accepted standards and transfers of know-how and technology.

35. **Mr. Shinde** (India) said that his delegation wished to associate itself with the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

36. Industrial development played a critical role in enhancing the productive capacity of a country's economy, and therefore in promoting the country's development and growth. The developing countries were latecomers to industrialization and were experiencing commercial competition and environmental pressures which developed countries had never faced at the equivalent stage in their economic development. Although the predominantly agrarian developing countries had been able to increase their share of world manufacturing output, they could not keep pace with the needs of their population or the demands of economic and social development, poverty eradication or creation of an industrial base with independent capacity for technological regeneration. Since industry was sustained by technology, transfers of technology to developing countries would help them to accelerate their industrialization.

37. Developing countries were seeking to build industrial capacity at a time of great technological advancements and rapid industrial change. Globalization, meanwhile, had resulted in greater disparities between developed and developing countries. The Industrial Development Report 2002/2003 had confirmed that developing countries could not bear the costs and risks of industrial development alone, and required partners in the government and private sectors to facilitate access to technology. They also needed basic macroeconomic and social structures in order to create a "nurturing environment".

38. Many developing countries had pursued competitiveness by following the textbook path of deregulation, privatization and liberalization of capital flows. However, globalization and market-based liberalization had not delivered the expected industrial development and poverty reduction. The Plan of Implementation for the World Summit on Sustainable Development had called for a greater contribution from industrial development to eradicating poverty, but no new structural links had been created to bring about change, and there was no sign of concrete action to fulfil existing commitments.

39. Developing countries needed support for industrialization from the international community in the form of greater technical assistance, transfer of technology, financial support and foreign direct investment. Foreign direct investment had fallen overall in 2001 relative to 2000, and the developing countries' share of that investment had halved since 1994.

40. Sustained economic development in the developing countries could not be achieved without enhanced and predictable market access for products of interest to them. A fair and non-discriminatory trading regime, without subsidies for agricultural products and manufactured goods in developed countries, would create a more favourable environment for industrialization in developing countries. The interests of the developing countries should be considered in negotiations within WTO and the United Nations system, particularly UNIDO, should enhance technical support programmes in developing countries.

41. Recent corporate scandals in the industrial, banking and other sectors made it difficult to blame corruption on governments alone. India welcomed the work on a United Nations convention against corruption, and hoped that it would result in greater international cooperation and mutual legal assistance, particularly for rapid repatriation of funds of illicit origin to the developing countries to which they rightly belonged.

42. **Mr. Ramadan** (Libyan Arab Jamahiriya) said that his delegation supported the statement made by the representative of Venezuela on behalf of the Group of 77 and China.

43. Industrial development was one of the most dynamic factors in speeding up the pace of economic growth and social progress and he commended the work of UNIDO in that connection to improve the framework of technical cooperation, increase the implementation of programmes and projects, and enhance the participation of women in industrial development.

44. The challenges of globalization required the developing countries to establish appropriate industrial strategies and policies, both nationally and regionally, and to mobilize the necessary resources. In order to enable the developing countries, in particular in Africa, to achieve industrial development, become an integral part of the world economy and overcome poverty, it was incumbent on the international community, including the United Nations system, to create the macroeconomic and social conditions conducive to industrial development in those countries, to enable them to build capacity in the industrial sector and to increase production and improve efficiency, and to develop small and medium-sized enterprises.

45. The developing countries, especially those in Africa, were facing obstacles to their industrial development because of their lack of financial resources and their inability to benefit from the transfer of technology. His delegation therefore called on the international community and the international financial institutions and the funding bodies of the United Nations and regional banks to make available the necessary financial resources for those countries and to support the New Partnership for Africa's Development (NEPAD), and requested the developed countries to facilitate technology transfer to the developing countries on appropriate terms, to support human and institutional capacity-building in those countries and to open their own markets to the output of the developing countries and remove all obstacles that might prevent goods from the developing countries from reaching the market. UNIDO should improve its programme activities to assist the developing countries in institutional and human capacity-building through technical assistance programmes, technical education, greater investment and technology transfer and development of small and medium-sized enterprises.

46. His country had taken legal and institutional measures to identify, prevent and punish corrupt practices, and called on the international community to support the measures being taken at the national level to prevent corruption, bribery, money-laundering and the transfer of funds of illicit origin and to ensure the return of such funds to the countries of origin.

47. **Mr. Andjaba** (Namibia) said that sustainable industrial development could be achieved in developing countries only with the assistance of development partners like UNIDO. Unfortunately, globalization had created more losers than winners, since most developing countries had failed to mobilize and attract enough resources to make their economies competitive and integrate them into the world economy. In that regard, he hailed the efforts of UNIDO to address the globalization challenge directly and thereby help to improve productive capacity in developing countries and economies in transition.

Indeed, UNIDO remained an important and necessary driving force for sustainable industrial development in developing countries. It was particularly gratifying to note that technical cooperation and forum activities remained core UNIDO functions.

48. He welcomed the swift adoption by UNIDO of programmatic reforms, particularly demand-driven integrated programmes tailored to the needs of each country. That approach was compatible with NEPAD, which emphasized national ownership of development programmes. His delegation also welcomed the programme for Women Entrepreneurship Development (WED); the emphasis on food processing industries in Africa was even more relevant given that many countries in Africa, particularly in the Southern African Development Community (SADC) region, were becoming prone to droughts, and food shortages. UNIDO should continue to give high priority to the development and timely implementation of integrated programmes, inter-African cooperation and high-level visits and study missions to Africa in order to implement tripartite initiatives.

49. His delegation welcomed the current consultations between UNIDO and SADC to explore areas of assistance and technical cooperation. Despite the good work that UNIDO was doing, his delegation was concerned at the shortage of resources available to the organization, since that situation would prevent it from meeting the formidable challenge of assisting developing countries in their efforts to attain sustainable industrial development and eradicate poverty. UNIDO should be provided with the necessary resources to expand its integrated programmes and to establish more field offices, especially in developing countries. That would enable it to effectively contribute to the implementation of goals and targets agreed at the World Summit on Sustainable Development. Lastly, his delegation endorsed the Secretary-General's recommendation that UNIDO should continue to improve its programmatic activities in order to help developing countries to build human and institutional capacities and capabilities.

50. **Mr. Popov** (Belarus) said that Belarus attached great importance to furthering its industrial development, a task which it undertook in close cooperation with the international community, international organizations and economic operators in other countries with the aim of introducing the latest technology, equipment and methods.

51. Belarus valued the role of the United Nations specialized agencies in promoting industrial activity in developing countries and countries in transition. Globalization had clearly demonstrated the role of industrial development in securing sustainable economic growth, productive employment and poverty relief. UNIDO had played a leading role, with initiatives for cooperation in trade, technology and energy for sustainable development. An important emerging area was its cooperation with the Global Environment Facility (GEF), which should be encouraged and expanded.

52. The UNIDO integrated programmes were a unique instrument of technical cooperation and partnership. Belarus supported the establishment of a regional programme for the countries of Central and Eastern Europe and the Newly Independent States, and the UNIDO network of International Technology Centres involving national technology centres, industry and funding agencies. A UNIDO project of assistance for creation of infrastructure to support innovative enterprises in the Republic of Belarus had resulted in the establishment of a National Centre for Technology Transfer in Minsk in 2001. UNIDO had also provided valuable expertise in combating industrial pollution and saving energy.

53. It was unfortunate that the emphasis of UNIDO technical cooperation programmes was shifting away from countries with transitional economies, even though modernization of the industrial potential of those countries would pay dividends by speeding up their transition, removing restrictions on foreign investment and enabling industry to earn enough to fund its own future reform and development.

54. Belarus was concerned about the potential damage which corrupt practices could inflict on the social, economic and political development of all countries, disrupting the stability and security of their societies. It recognized how important it was, in accordance with General Assembly resolution 56/186, to take action at the national and international levels against corruption, bribery and money-laundering. In 1997, it had promulgated an Act on measures to combat corruption and organized crime, and an act on efforts to combat corruption was in the final stages of preparation. In 2002, the President of Belarus had approved a State programme to strengthen the fight against corruption for the period from 2002 to 2006. Domestic procedures to ensure the entry into force of

the Council of Europe Criminal Law Convention on Corruption of 27 January 1999 had been initiated. Belarus welcomed the progress in negotiating a United Nations convention against corruption, and hoped that it could be adopted during 2003. The United Nations, through its Office for Drug Control and Crime Prevention, should be more active in providing technical and other assistance, when requested, to help countries to combat corruption and ensure the repatriation of funds of illicit origin.

55. **Ms. Lewis** (International Labour Organization) said that developing countries were diverging rather than converging in terms of output, export and technological upgrading performance, and consequently also in terms of employment growth in manufacturing. In the industrial sector, the ability of countries to generate and sustain employment depended on their capacity to promptly gain access to, efficiently use and keep up with new technologies. Those countries that were able to spend the most on their own research and development would do best in the competitive struggle. Competitive advantage depended on much more than access to commodities or cheap labour.

56. Unfortunately, the prevailing orthodoxy during the last two decades had been far more concerned with liberalization of trade and finance than with more practical issues such as technological competence, skills, work discipline and trainability, competitive supplier clusters, strong support institutions, good infrastructure and well-honed administrative capabilities. Liberalization was often counterproductive because of market failure resulting from such deficiencies as concentrations of market power and lack of symmetrical access to information. International trade and financial organizations must recognize that reality and modify their strategies accordingly.

57. With regard to the goal of improving technological capabilities, she pointed out that the difficulty lay in finding the most effective combination of education, training, work experience, public and policy-supported private research and development within the financial capacity of each country. A related issue was how to encourage trained people to stay in their home countries. Another difficulty facing developing countries was that they could expect little assistance from foreign investment; in fact, total foreign direct investment (FDI) to developing countries was declining. Given the concentration of production and the attractiveness of large markets, most developing countries would continue to be excluded from significant FDI. There were likely to be net costs for them if they vainly attempted to fit into the "golden straitjacket" of policies considered attractive to financial markets and foreign investors. The alternative was to adopt more domestically self-reliant policies combined with increased concessional external finance. Domestic saving must be the major source of private and public funds for investment. Improved international macroeconomic coordination and more representative institutions to manage it were vital for reducing financial instability. Countries that had not yet comprehensively liberalized needed to exercise more caution with regard to the extent and sequencing of financial liberalization. For those countries that had liberalized, the issue was how to escape from the vicious circle of strengthening supervision or selectively re-regulating without increasing the risk premium on their bonds.

58. Increased attention must also be given to the service sector. Services accounted for well over 60 per cent of world GDP and 20 per cent of cross-border trade. A crucial element in national development strategy, especially relating to the growth of employment, was emphasis on increasing employment in services.

59. **Mr. Lewis** (Antigua and Barbuda) said that his country attached priority to the fight against corruption. As a small island developing State with a highly dependent service industry, it was often faced with non-compliance issues with respect to the illicit transfer of funds and the return of such funds to the country of origin, and subjected to unfair pressure by developed countries and international organizations. While his country was committed to working with the international community in its efforts to develop a cohesive, transparent, accountable and practical approach to preventing corrupt practices and the transfer of funds of illicit origin, it was opposed to laying down firm rules about forfeited assets which should be returned to the victim State. While it agreed that the international community must cooperate on that issue, it was of the view that, in the absence of an international instrument and adequate legislation, the receiving country — particularly a developing country with limited resources — should not bear the full cost of investigating and seizing illicit funds. Some type of compensation should be paid in that regard.

60. Indeed, the receiving jurisdiction had to incur considerable expense when setting up the legislative, regulatory and enforcement machinery to identify and seize assets. If the receiving jurisdictions were to get little or nothing from forfeited assets, there was no incentive for them to establish the machinery for identification, forfeiture and cooperation with other jurisdictions.

61. In such circumstances, his Government would be forced to invoke provisions such as article 18, paragraph 28, of the United Nations Convention against Transnational Organized Crime and request payment in advance for the estimated cost of fulfilling requests. That would, unfortunately, have the effect of discouraging requests in many instances. His country had been involved in asset recovery before and had incurred inordinate expenses in securing legal representation. That was why it had established with a number of foreign States mutual agreement whereby the different parties agreed on the distribution formula. His delegation concurred with the views of the Secretary-General on the creation of a legal instrument against corruption. It also agreed that the work of the Ad Hoc Committee would benefit from the wisdom and findings of the global study on the transfer of funds of illicit origin as mandated by Economic and Social Council resolution 2001/13.

62. **Mr. de Rivero** (Peru) said that the application of the model set out in the Washington Consensus, including fiscal discipline, economic and market liberalization and privatization, had led to a measure of macroeconomic balance in Latin America but had neither increased per capita GDP nor contributed to reducing social inequality in the region. According to the latest International Monetary Fund report, 2002 would be the third consecutive year of negative capital balance flow to Latin America and the Caribbean owing, in particular, to the decline in foreign direct investment. In short, because of its rigidity, the Washington Consensus had not produced the prosperity expected in Latin America. Moreover, the recent spate of corporate scandals in developed nations had dampened the faith of the developing world in capitalism. Indeed, it had demonstrated that corruption was not the monopoly of developing countries. He denounced the lack of cooperation on the part of banks in the so-called tax havens when developing countries tried to repatriate illicitly acquired funds and assets. However, in that regard, he wished to congratulate Switzerland for having cooperated with his country to repatriate ill-gotten funds. Indeed, the worst sort of impunity was the impunity granted to the perpetrators of corruption, whether foreign corporations, governments or local authorities. For democracy to continue to thrive, there must be zero tolerance for corruption and influence-peddling. An honest type of capitalism must be found. Peru had learnt from bitter experience that, even under a regime as profoundly corrupt as the one led by former President Fujimori and Mr. Montesinos, it was sufficient to secure some positive macroeconomic results to spark the enthusiasm of a particular sector of the multilateral financial system.

63. The international financial system should not allow itself to be taken in by pseudo-democracies. Any evaluation and monitoring of financial and economic variables should include the concept of democratic governance and human development. That was why Peru supported the negotiations currently under way for the adoption of an international binding regime to combat corruption. In that regard, his delegation particularly welcomed the efforts of the Organisation for Economic Cooperation and Development and other countries, including Switzerland.

64. **Mr. Ashiru** (Nigeria) said that Nigeria attached great importance to the commitment made by world leaders at the Monterrey International Conference on Financing for Development to negotiate and finalize a United Nations convention against corruption in all its aspects. Indeed, well before Monterrey, an Anti-Corruption Law covering a wide range of offences had been adopted by his Government and an Independent Commission had been set up pursuant to that Law. His delegation welcomed the progress achieved thus far by the Ad Hoc Committee for the Negotiation of a Convention against Corruption in Vienna, in particular the broadening of the concept of funds to include both moveable and immovable assets.

65. Since the effects of corruption were felt in the economic, social and political spheres, both the Second and Third Committees should continue to consider the issue of corrupt practices and transfer of funds of illicit origin, which had contributed considerably to capital flight. While Africa was the least developed continent in the world, it ranked highest in terms of capital flight with an estimated $400 billion or more in funds being looted and concealed in foreign banks. Of that amount, an estimated $100 billion or more was from Nigeria. According to his Government's estimates, Nigeria's

total external indebtedness stood at $28 billion, approximately 28 per cent of the total funds siphoned out of the country.

66. Corruption and the illicit transfer of funds impeded sustainable development and political stability. Ill-gotten wealth was used to acquire weapons, finance terrorism and fuel domestic conflict. Therefore, as part of its support for durable peace and sustainable development in Africa, particularly the NEPAD initiative, the international community must make genuine efforts to swiftly conclude the Vienna negotiations and adopt a comprehensive international convention against corruption in all its aspects. His country had transmitted its report on measures taken to curb corrupt practices to the Secretary-General and it urged other Member States to promptly submit their reports on that topic. His delegation supported the lifting of banking secrecy, which enabled corrupt clients in Africa to find safe havens for their dirty money.

67. **Mr. Blanco** (Dominican Republic) said that promoting the productive capacity of developing countries as a condition for sustainable development would improve industrial competitiveness at a time when all public discourse focused solely on the opening up of markets and free trade agreements. His delegation hoped that the United Nations would provide more direct support in that regard.

68. Referring to corruption, he noted that recent developments in the corporate world had demonstrated that developing countries did not have a monopoly of corrupt practices. That scourge must be combated in a holistic manner by developed and developing countries alike through the establishment of fair, non-discriminatory and universally applied rules. His country, one of the first to have established a department for the prevention of corruption, had identified and prosecuted many cases of corruption. Unfortunately, few people had been convicted due to legal manoeuvring. However, the Government was working hard to stamp out that scourge and eagerly awaited the future United Nations convention against corruption.

The meeting rose at 12.25 p.m.